

TC (MPI) 2-5

Part and Chapter:	TC (MPI) 1-3	Page No.:	
PUB Approved Issue No:	1, 2, 11, 12		
Topic:	Taxi and Passenger VFH rates		
Sub Topic:	Year over year comparison		

Preamble to IR:

In response to TC(MPI) 1-3 (a), MPI states:

*"The reversal (i.e. from 'Top 50' dollar increase in the 2020 GRA to 'Top 50' dollar decrease in the 2021 GRA), is mainly the result of the 5.0% capital release proposed by MPI. With the capital release, the experience adjustment for Taxi VFH in Territory 1 is -5.33% (see Ratemaking Appendix 3, page 5), which translates into a \$631 decrease. **Excluding the 5.0% capital release, the experience adjustment is 0.93% or a \$110 increase.**" [emphasis added]*

In response to TC(MPI) 1-3(b), MPI states:

*"Per the response to PUB (MPI) 1-88, based on the loss data as of February 29, 2020, for the two loss years since the introduction of the VFH use, the loss ratio for Passenger VFH is more than 120% each year (see lines 7 and 8). This implies that the rates for this group are currently insufficient. As such, **for both the 2020 and 2021 GRA, the rates for Passenger VFH have seen increases above the average for vehicles in the Private Passenger major class.** This explains why it made the 'Top 50' list in both GRAs." [emphasis added]*

Question:

- a) Please provide the experience adjustments for all VFH subcategories excluding the 5.0% capital release.

- b) Please provide a narrative description with numerical example, for how the experience adjustment with and without capital release is calculated (noting it does not appear to be simple arithmetic).
- c) Please provide a table with the following for each of the 2020 and 2021 GRAs:
- i. Average increases/decreases for each subcategory of VFH
 - ii. Average increases/decreases for Private Passenger and Public Major classes.

Rationale for Question:

To understand experience adjustments without the impact of capital release.

RESPONSE:

- a) Please see Figure 1 below, comparing the experience adjustment for all VFH categories, with and without the 5.0% capital release.

Figure 1 Experience Adjustments for VFH

Line No.	Description	Territory	Experience Adjustment	
			Excluding Capital Release	Including Capital Release
1	Passenger Vehicle-for-Hire (Passenger Vehicle)	1	0.33%	-5.94%
2	Passenger Vehicle-for-Hire (Passenger Vehicle)	2	2.19%	-4.16%
3	Passenger Vehicle-for-Hire (Passenger Vehicle)	3	9.46%	2.65%
4	Passenger Vehicle-for-Hire (Passenger Vehicle)	4	4.71%	-1.80%
5	Passenger Vehicle-for-Hire (Passenger Vehicle)	5	-3.32%	-9.36%
6	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	1	-5.88%	-11.02%
7	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	2	-10.14%	-12.42%
8	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	3	-10.05%	-12.34%
9	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	4	3.58%	-2.78%
10	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	5	11.27%	6.80%
11	Taxicab Vehicle-for-Hire	1	0.93%	-5.33%
12	Taxicab Vehicle-for-Hire	2	6.61%	0.05%
13	Taxicab Vehicle-for-Hire	3	-2.36%	-8.38%
14	Taxicab Vehicle-for-Hire	4	-0.49%	-6.62%
15	Limousine Vehicle-for-Hire	1	-3.09%	-8.97%
16	Limousine Vehicle-for-Hire	2	-1.25%	-7.10%
17	Limousine Vehicle-for-Hire	3	0.00%	0.00%
18	Limousine Vehicle-for-Hire	4	0.00%	0.00%
19	Accessible Vehicle-for-Hire	1	5.74%	-0.64%
20	Accessible Vehicle-for-Hire	2	14.99%	14.12%
21	Accessible Vehicle-for-Hire	3	0.00%	0.00%
22	Accessible Vehicle-for-Hire	4	14.99%	14.12%

- b) Please see [Figure 2](#) below, detailing the derivation of the experience adjustment for Taxicab VFH in Territory 1, with and without the 5.0% capital release.

Figure 2 Deriving Experience Adjustment - Taxicab VFH Territory 1

Line No.	Description	Source/Formula	Excluding Capital Release	Including Capital Release
1	Rate Model Number of Vehicles	[a] Rate Model	467	467
2	Rate Model Annual Premium	[b] Rate Model	4,303,065	4,303,065
3	20/21 Average Rate	[c] = [b] / [a]	9,214.27	9,214.27
4	Public Major Class Required Rate	[d] Part VI, Ratemaking, Figures RM-12 & RM-13	2,152.36	2,038.52
5	Public Major Class Operating Expense*	[e] Part VI, Ratemaking, Figures RM-12 & RM-13	102.92	102.92
6	Combined Relativity	[f] = [g] * [h] * [i]	4.6197	4.6197
7	'Use = Taxicab Vehicle for Hire' Relativity	[g] Part VI, RM Appendix 9, page 153	3.9423	3.9423
8	'Territory = 1' Relativity	[h] Part VI, RM Appendix 9, page 153	1.1663	1.1663
9	'GVW = Not Applicable' Relativity	[i] Part VI, RM Appendix 9, page 153	1.0047	1.0047
10	Indicated Rate	[j] = ([d] - [e]) * [f] + [e]; Note [1]	9,570.76	9,044.82
11	Balanced Indicated Rate	[k] Note [2]	9,300.94	8,790.63
12	Balanced Indicated Change	[l] = [k] / [c]	0.94%	-4.60%
13	First Cut Selected Change	[m] Note [3]	0.94%	-4.60%
14	Balanced Selected Experience	[n] Note [4]	0.93%	-5.33%
15	Notes:			
16	*Includes Road Safety, Operating Expense and Regulatory/Appeal			
17	[1] See also Part VI, Ratemaking, page 49			
18	[2] Rates are balanced back to the revenue requirement for the Public major class			
19	[3] Based on the experience adjustment rules per Part VI, Ratemaking, RM.5.1			
20	[4] Rates are balanced back to the overall revenue requirement			

Per Ratemaking, pages 46 and 47, "For the major class MPI (...) determined the new relativities. (...) the relativities were balanced in order that the average relativity for each rating variable within the major class is one". Figure 3 below illustrates how this balancing was applied to the credibility weighted relativities (after product changes) for the territories for the Public major class.

Figure 3 Derivation of Relativities for Major Class 3 (Public)

Line No.	Territory	Current Units	Credibility Weighted Relativity [a]	New Relativity [b]
1	1	8,500	1.16671831	1.166338216
2	2	3,379	0.644316732	0.644106826
3	3	313	0.695744193	0.695517533
4	4	370	0.686686451	0.686462742
5	5	-	1.010635366	1.01030612
6	Total	12,562	0.9997 *	1.0000
7	Notes:			
8	[a] Credibility Weighted Relativity Total = Current Units Total /			
9	SumProduct [Current Units, Credibility Weighted Relativity]			
10	[b] By territory - New Relativity = Credibility Weighted Relativity			
11	* 0.9997; New Relativity Total = Current Units Total / SumProduct			
12	[Current Units, New Relativity]			

- c) Please see [Figure 4](#) below, showing the average rate changes for all VFH categories, and for the Private Passenger and Public major classes for both the 2020 GRA and the 2021 GRA. MPI based the 2020 GRA figures on PUB-approved rates and the 2021 GRA figures on the applied for rates.

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Figure 4 Average Rate Change

Line No.	Description	Average Rate Change	
		2021 GRA	2020 GRA
1	Passenger Vehicle-for-hire (Passenger Vehicle)	-4.45%	8.91%
2	Passenger Vehicle-for-hire (Truck 4,499 kg or le:	-6.52%	17.38%
3	Taxicab Vehicle-for-hire	-5.00%	10.53%
4	Limousine Vehicle-for-hire	-8.73%	6.94%
5	Accessible Vehicle-for-hire	-0.52%	11.57%
6	Private Passenger	-11.02%	-0.90%
7	Public	-6.11%	10.35%

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